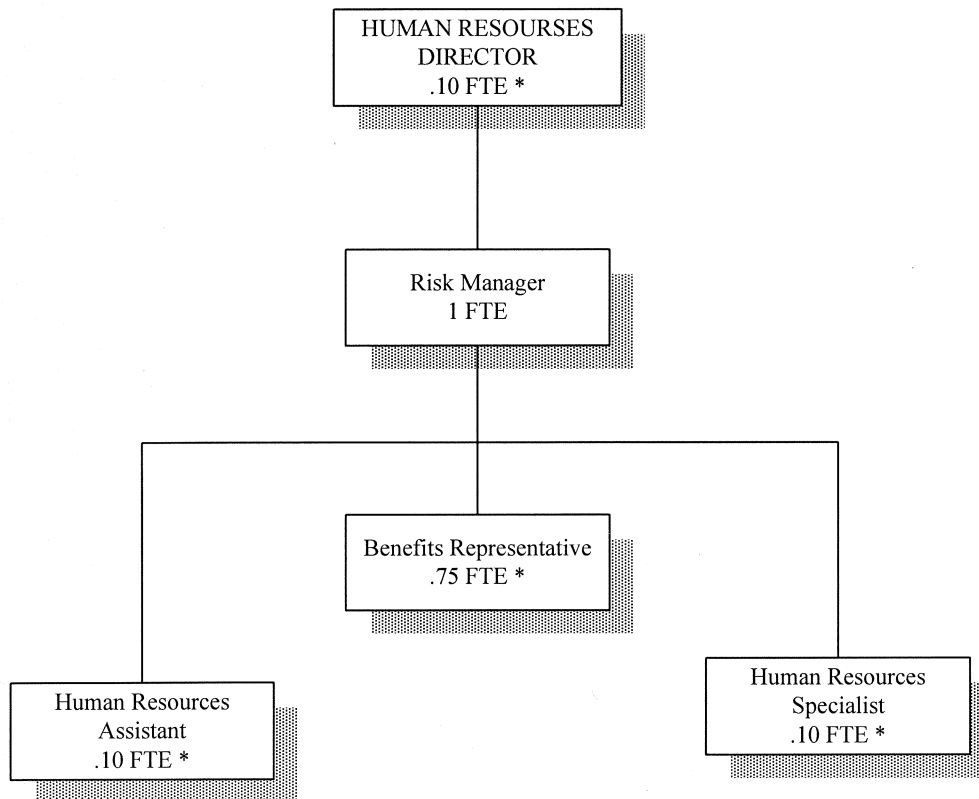


Insurance Fund

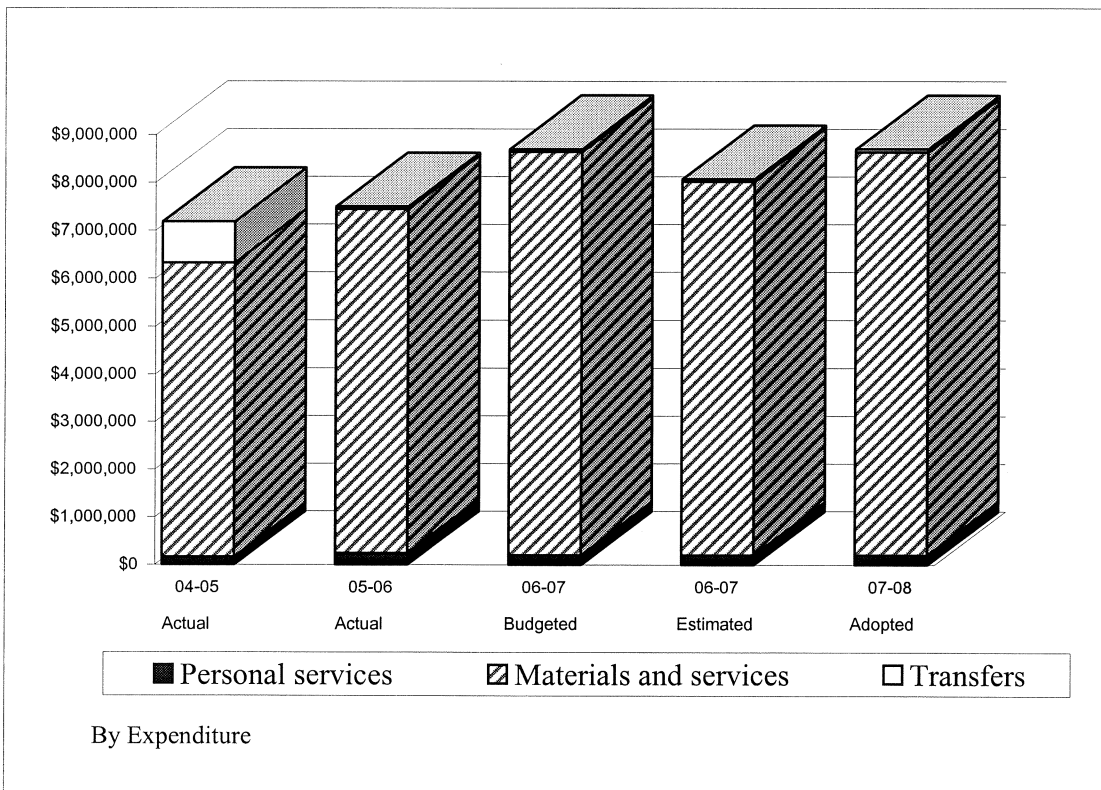
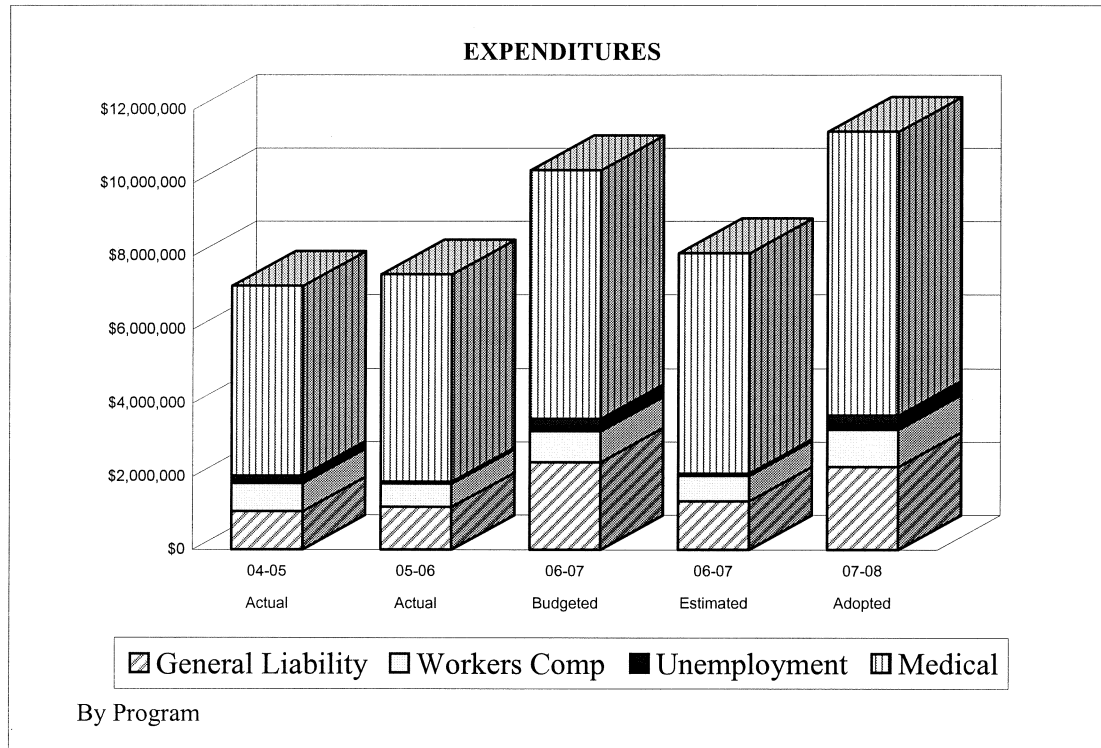
FY 2007-08 BUDGETED POSITIONS



** Partially funded in Human Resources Department*

INSURANCE FUND

ADOPTED FY 2007-08



CITY OF BEAVERTON, OREGON
FISCAL YEAR 2007-08 BUDGET

**INSURANCE AGENCY FUND
SUMMARY OF REVENUES AND EXPENDITURES
AND OTHER FINANCING SOURCES & USES**

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Budgeted	FY 2006-07 Estimated	FY 2007-08 Adopted
Revenues:					
Interest on investments	\$40,850	\$71,414	\$78,325	\$88,900	\$104,900
Self-insurance charges	5,332,817	5,997,291	6,516,808	6,267,177	7,706,192
Miscellaneous	220,928	702,955	306,000	298,926	263,000
Sub Total Revenues	<u>\$5,594,595</u>	<u>\$6,771,660</u>	<u>\$6,901,133</u>	<u>\$6,655,003</u>	<u>\$8,074,092</u>
Expenditures:					
Personal services	\$158,279	\$244,987	\$203,207	\$200,641	\$204,423
Materials & services	6,160,374	7,200,255	8,439,104	7,816,451	8,435,759
Capital outlay	0	0	0	0	0
Sub Total Expenditures	<u>\$6,318,653</u>	<u>\$7,445,242</u>	<u>\$8,642,311</u>	<u>\$8,017,092</u>	<u>\$8,640,182</u>
Revenues Over/Under Expenditures	(\$724,058)	(\$673,582)	(\$1,741,178)	(\$1,362,089)	(\$566,090)
Other financing sources (uses):					
Transfers in	\$1,261,901	\$878,901	\$881,401	\$881,401	\$1,301,751
Transfers out	(863,981)	(52,390)	(59,196)	(59,196)	(62,346)
Total Other Financing Sources (Uses):	<u>\$397,920</u>	<u>\$826,511</u>	<u>\$822,205</u>	<u>\$822,205</u>	<u>\$1,239,405</u>
Net Change in Fund Balance	(\$326,138)	\$152,929	(\$918,973)	(\$539,884)	\$673,315
Fund Balance/Working Capital Beginning of Year	<u>2,741,103</u>	<u>2,414,965</u>	<u>2,567,894</u>	<u>2,567,894</u>	<u>2,028,010</u>
Fund Balance (Contingency)/Working Capital End of Year	<u>\$2,414,965</u>	<u>\$2,567,894</u>	<u>\$1,648,921</u>	<u>\$2,028,010</u>	<u>\$2,701,325</u>

Contingency for FY 2007-08 adopted budget is available for appropriation upon the City Council's approval. Contingency consists of the following:

General Liability Comprehensive Insurance: \$165,799 for continuing operations and \$1.2 million designated as a catastrophic insurance reserve.

Workers Compensation Insurance: \$85,451 for continuing operations and \$350,000 in insurance reserves.

Unemployment Insurance: \$129,483 for continuing operations and \$200,000 in insurance reserves.

Medical Insurance: \$170,592 for continuing operations and \$400,000 in insurance reserves for rate stabilization.

CITY OF BEAVERTON, OREGON
FISCAL YEAR 2007-08 BUDGET

FUND: 706 INSURANCE	DEPARTMENT: HUMAN RESOURCES
	DEPARTMENT HEAD: NANCY BATES

MISSION STATEMENT:

To provide programs, processes and strategies that will enable leaders to plan, evaluate, develop and improve the organization, to optimize contributions to City Council goals, and to minimize the adverse effects of risk on the organization.

REQUIREMENTS	FY 2004-05 ACTUAL	FY 2005-06 ACTUAL	FY 2006-07 BUDGETED	FY 2007-08 PROPOSED	FY 2007-08 ADOPTED
POSITION	1.70	2.15	2.05	2.05	2.05
PERSONAL SERVICES	\$158,277	\$244,987	\$203,207	\$204,423	\$204,423
MATERIALS & SERVICES	6,160,375	7,200,254	8,439,104	8,435,759	8,435,759
CAPITAL OUTLAY	0	0	0	0	0
TRANSFERS	863,982	52,390	59,196	62,346	62,346
CONTINGENCY			340,686	551,325	551,325
RESERVE			1,308,235	2,150,000	2,150,000
TOTAL	\$7,182,634	\$7,497,631	\$10,350,428	\$11,403,853	\$11,403,853

Funding Sources:	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2007-08
Beginning Working Capital	\$2,741,103	\$2,414,964	\$2,567,894	\$2,028,010	\$2,028,010
Interest on Investments	40,850	71,414	78,325	104,900	104,900
Miscellaneous Revenues	220,928	702,955	306,000	263,000	263,000
Transfers from Other Funds	1,261,901	878,901	881,401	1,301,751	1,301,751
Self-insurance Revenues	5,332,817	5,997,291	6,516,808	7,706,192	7,706,192

Reserves:	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2007-08
General Liability	\$1,000,000	\$765,000	\$704,635	\$1,200,000	\$1,200,000
Workers' Compensation	50,000	200,000	103,600	350,000	350,000
Unemployment	100,000	200,000	200,000	200,000	200,000
Medical	275,000	250,000	300,000	400,000	400,000

Services and Trends:

The Human Resources Department, through the Risk Management and Employee Benefits Programs, assists the organization in managing its financial resources by minimizing the effects of risk. Major areas in the Risk Management Program include workers' compensation, property, and general liability. The Employee Benefits Program includes self-insured unemployment, employee medical premium-based insurance, and self insured dental. Services provided include claims administration, financing of claims through insurance or self-insurance, wellness and loss prevention activities.

Risk Management provides legally-mandated safety services and insurance programs, as well as discretionary services designed to reduce the long-term cost of risk to the City. Risk financing components of the program include the retention of risk through self insurance and the transfer of risk to commercial insurance and bonds. Risk Management pursues recovery of incurred costs due to losses caused by third parties.

CITY OF BEAVERTON, OREGON
FISCAL YEAR 2007-08 BUDGET

FUND: 706 INSURANCE	DEPARTMENT: HUMAN RESOURCES
	DEPARTMENT HEAD: NANCY BATES

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Budgeted	FY 2007-08 Adopted
Program Budget Cost Per Capita (less contingency and reserve)	\$90.52	\$90.23	\$103.26	\$102.26
Insurance Budget as Percent of City's Total Budget (less contingencies and capital projects)	9.262%	7.774%	6.772%	6.345%

Budget Highlights:

Risk Management continues to work closely with the management of all City departments to increase employee and supervisor safety training and awareness for the purpose of reducing accidents, injuries and claims costs.

Industry experts predict that health care premiums will continue to increase at, or close to, double digit rates for the foreseeable future. The increased health care utilization by City employees will continue to have a significant effect on premium rates. The key issue facing the Employee Benefits programs is the escalating cost of medical insurance premiums. Emphasis continues to be placed on minimizing the premium increases and effectively managing the City health care benefits program in order to provide quality benefits to employees at a reasonable cost. Working through the City Agent of Record, Risk Management continues to emphasize exploring all options to minimize the premium increases while protecting the City from catastrophic loss.

**CITY OF BEAVERTON, OREGON
FISCAL YEAR 2007-08 BUDGET
CURRENT LEVEL OF SERVICES**

FUND: 706 INSURANCE	DEPARTMENT: HUMAN RESOURCES
PROGRAM: 0010 GENERAL LIABILITY	PROGRAM MANAGER: TIM POPE

Program Goal and Financial Costs:

To minimize the exposures to general liability losses and property losses that can impact the City's ability to achieve its goals.

REQUIREMENTS	FY 2004-05 ACTUAL	FY 2005-06 ACTUAL	FY 2006-07 BUDGETED	FY 2007-08 PROPOSED	FY 2007-08 ADOPTED
POSITION	0.55	0.65	0.60	0.60	0.60
PERSONAL SERVICES	\$53,062	\$105,752	\$62,745	\$62,530	\$62,530
MATERIALS & SERVICES	567,028	1,038,441	1,504,538	817,944	817,944
CAPITAL OUTLAY	0	0	0	0	0
TRANSFERS	423,353	22,406	24,633	25,722	25,722
CONTINGENCY	0	0	98,683	165,799	165,799
RESERVE	0	0	704,635	1,200,000	1,200,000
TOTAL	\$1,043,443	\$1,166,599	\$2,395,234	\$2,271,995	\$2,271,995

Program Objective (services provided):

To develop and administer appropriate risk financing strategies that will adequately protect the financial resources of the organization. *(Council Goal #2: Use City resources efficiently to ensure long-term financial stability.)*

To develop and administer effective risk control programs and strategies that minimize exposure to property and liability risks. *(Council Goals #2: Use City resources efficiently to ensure long-term financial stability; #4: Provide responsive, cost-effective service to the community.)*

To manage the claims adjusting process in order to minimize the cost of losses that do occur. *(Council Goals #2: Use City resources efficiently to ensure long-term financial stability.)*

Property and Liability Claims:	FY 2004-05 Projected/Actual	FY 2005-06 Projected/Actual	FY 2006-07 Budgeted/Revised	FY 2007-08 Adopted
Number of general liability claims filed	55 / 52	50 / 45	48	50
Average allocated cost per liability claim	\$1,500 / \$1,680	\$1,500 / \$1,575	\$1,500 / \$1,561	\$1,600
Number of property damage claims received	75 / 66	75 / 50	60	54

CITY OF BEAVERTON, OREGON
FISCAL YEAR 2007-08 BUDGET
CURRENT LEVEL OF SERVICES

FUND: 706 INSURANCE	DEPARTMENT: HUMAN RESOURCES
PROGRAM: 0010 GENERAL LIABILITY	PROGRAM MANAGER: TIM POPE

Performance Outcomes:

The continued emphasis on subrogation efforts will impact net property damage losses, thus reducing the net cost of losses to the City. As the City's population grows, the number of losses will continue to increase. Subrogation effectiveness can minimize the impact of those increases. Risk Management along with Finance continues to utilize the billing and collection systems for claim subrogation. This system allows the City to better track and collect claims.

Program Trends and projected insurance premium increases:

Liability and property insurance costs in the U.S. market have increased significantly over the past decade. Insurance industry experts indicate this trend will soften in the future. Insurance company reserves continued to decrease with further decreases projected through 2007. The insurance industry has reported that insurance premiums will trend towards single digit increases starting in 2008; however, the effects of any significant natural disaster, e.g., hurricanes, on insurance company reserves will continue to be the "X" factor in rating insurance coverage. Risk Management will continue to work with the Agent of Record in an attempt to obtain insurance that will provide optimum levels of protection for minimum cost.

CITY OF BEAVERTON, OREGON
FISCAL YEAR 2007-08 BUDGET
CURRENT LEVEL OF SERVICES

FUND: 706 INSURANCE FUND	DEPARTMENT: HUMAN RESOURCES
PROGRAM: 0014 WORKERS COMPENSATION	PROGRAM MANAGER: TIM POPE

Program Goal:

To minimize the exposure to worker's compensation losses on the organization's ability to achieve its goals.

REQUIREMENTS	FY 2004-05 ACTUAL	FY 2005-06 ACTUAL	FY 2006-07 BUDGETED	FY 2007-08 PROPOSED	FY 2007-08 ADOPTED
POSITION	1.15	0.90	0.85	0.85	0.85
PERSONAL SERVICES	\$105,215	\$86,226	\$88,349	\$88,471	\$88,471
MATERIALS & SERVICES	634,816	521,607	583,757	457,488	457,488
CAPITAL OUTLAY	0	0	0	0	0
TRANSFERS	29,158	27,498	31,274	33,885	33,885
CONTINGENCY	0	0	36,128	85,451	85,451
RESERVE	0	0	103,600	350,000	350,000
TOTAL	\$769,189	\$635,331	\$843,108	\$1,015,295	\$1,015,295

Program Objective (services provided):

To develop and administer appropriate risk financing strategies that will adequately protect the financial resources of the organization. *(Council Goal #2: Use City resources efficiently to ensure long-term financial stability.)*

To assist the departments in developing and administering effective safety programs and strategies. *(Council Goals #4: Provide responsive, cost-effective service to the community; #5: Assure a safe and healthy community; #8: Provide and support a highly-qualified and motivated City work force.)*

To deliver workers' compensation benefits and effectively manage claims for the benefit of employees and the organization. *(Council Goals #2: Use City resources efficiently to ensure long-term financial stability; #4: Provide responsive, cost-effective service to the community; #8: Provide and support a highly-qualified and motivated City work force.)*

Workers' Compensation Claims Data:	FY 2004-05 Projected/Actual	FY 2005-06 Projected/Actual	FY 2006-07 Budgeted/Revised	FY 2007-08 Adopted
Number of workers' compensation claims filed	35 / 36	35 / 37	35 / 39	38
Lost workdays	120 / 190	144 / 271	150 / 221	200
Target experience rating modifier for Beaverton is = <1.0	.78 / .78 *	.78* / .81	.88* / .86	.87

* The Increase from 2005 to 2006 reflects one major injury. This is determined by the State and the experience modifier is expected to go down. In March 2005, the City revised its charged rate modifier to the operating departments from .78 to 1.00 and effective July 1, 2007, from 1.00 to 1.10 to assist in accumulating reserves for the Workers' Compensation Program.

CITY OF BEAVERTON, OREGON
FISCAL YEAR 2007-08 BUDGET
CURRENT LEVEL OF SERVICES

FUND: 706 INSURANCE FUND	DEPARTMENT: HUMAN RESOURCES
PROGRAM: 0014 WORKERS COMPENSATION	PROGRAM MANAGER: TIM POPE

Safety Program Outcomes:

Over the last seven fiscal years, the number of worker's compensation claims has stayed in the same range, even as the number of employees has risen, which may be attributed to the overall effectiveness of the safety programs within the City. Maintaining an experience rating modifier at 1.00 or less signifies that the City's injury experience and safety programs are equal to or better than the average of other similar organizations in the State of Oregon.

Safety Program activities:

During fiscal year 2005-2006, the City experienced an expected number of work-related injuries. Projected claims filed for the 2006-2007 year continue to indicate the same level trending. Safety policies and procedures and employee safety training were reviewed, and updated policies and procedures were implemented to prevent or minimize injuries in the future. Continued departmental utilization of light duty for injured workers will have an on going direct effect on the number of lost workdays and claims costs. The continual pro-active safety attitude and support displayed by department managers is one of the primary reasons for the low experience mod that the city currently enjoys.

CITY OF BEAVERTON, OREGON
FISCAL YEAR 2007-08 BUDGET
CURRENT LEVEL OF SERVICES

FUND: 706 INSURANCE FUND	DEPARTMENT: HUMAN RESOURCES
PROGRAM: 0015 SELF INSURANCE UNEMPLOYMENT	PROGRAM MANAGER: TIM POPE

Program Goal:

To provide a cost effective unemployment insurance program that complies with state and federal laws.

REQUIREMENTS	FY 2004-05 ACTUAL	FY 2005-06 ACTUAL	FY 2006-07 BUDGETED	FY 2007-08 PROPOSED	FY 2007-08 ADOPTED
POSITION					
PERSONAL SERVICES					
MATERIALS & SERVICES	\$58,136	\$50,527	\$56,000	\$56,000	\$56,000
CAPITAL OUTLAY	0	0	0	0	0
TRANSFERS	151,284	1,226	2,134	1,519	1,519
CONTINGENCY	0	0	83,177	129,483	129,483
RESERVE	0	0	200,000	200,000	200,000
TOTAL	\$209,420	\$51,753	\$341,311	\$387,002	\$387,002

Program Objective (services provided):

To minimize the organization's long-term costs by processing unemployment claims appropriately. *(Council Goal #2: Use City resources efficiently to ensure long-term financial stability.)*

Performance Measures:	FY 2004-05 Projected/Actual	FY 2005-06 Projected/Actual	FY 2006-07 Budgeted/Revised	FY 2007-08 Adopted
Number of claims for unemployment insurance for which timely information was provided	15 / 28	28 / 28	25	25
Number of claims opposed by City and subsequently approved by the State	0 / 0	0 / 1	0 / 1	0

Performance Outcomes:

Since the City reimburses the State of Oregon for all unemployment claims costs, emphasis on ensuring that only valid unemployment claims are paid demonstrates efficient resource management.

CITY OF BEAVERTON, OREGON
FISCAL YEAR 2007-08 BUDGET
CURRENT LEVEL OF SERVICES

FUND: 706 INSURANCE FUND	DEPARTMENT: HUMAN RESOURCES
PROGRAM: 0016 SELF INSURANCE EMPLOYEE MEDICAL/DENTAL	PROGRAM MANAGER: TIM POPE

Program Goal:

To provide a comprehensive, cost-effective health program which meets the needs of its employees and the organization.

REQUIREMENTS	FY 2004-05 ACTUAL	FY 2005-06 ACTUAL	FY 2006-07 BUDGETED	FY 2007-08 PROPOSED	FY 2007-08 ADOPTED
POSITION	0.00	0.60	0.60	0.60	0.60
PERSONAL SERVICES	\$0	\$53,009	\$52,113	\$53,422	\$53,422
MATERIALS & SERVICES	4,900,395	5,589,679	6,294,809	7,104,327	7,104,327
CAPITAL OUTLAY	0	0	0	0	0
TRANSFERS	260,187	1,260	1,155	1,220	1,220
CONTINGENCY	0	0	122,698	170,592	170,592
RESERVE	0	0	300,000	400,000	400,000
TOTAL	\$5,160,582	\$5,643,948	\$6,770,775	\$7,729,561	\$7,729,561

Program Objective (services provided):

To provide medical and dental insurance for employees that minimizes the adverse family and financial effects of illness. *(Council Goals #2: Use City resources efficiently to ensure long-term financial stability; #8: Provide and support a highly-qualified and motivated City work force.)*

To provide programs that assist employees in addressing issues that affect their performance. *(Council Goals #8: Provide and support a highly-qualified and motivated City work force.)*

To provide programs that assist employees in maximizing their financial resources. *(Council Goal #8: Provide and support a highly-qualified and motivated City work force.)*

To administer and coordinate occupational health programs that adhere to laws, rules and regulations and ensure a safe and healthy work force. *(Council Goals #4: Provide responsive, cost-effective service to the community; #5: Assure a safe and healthy community; #8: Provide and support a highly-qualified and motivated City work force.)*

Health and Dental Insurance Premiums:	FY 2004-05 Projected/Actual	FY 2005-06 Projected/Actual	FY 2006-07 Budgeted/Revised	FY 2007-08 Adopted
Average premium cost per employee for medical insurance	\$9,467 / \$10,603	\$12,511 / \$12,511	\$13,387	\$14,700
Average premium cost per employee for dental benefits	\$1,160 / \$1,299	\$1,533 / \$1,533	\$1,563	\$1,563

**CITY OF BEAVERTON, OREGON
FISCAL YEAR 2007-08 BUDGET
CURRENT LEVEL OF SERVICES**

FUND: 706 INSURANCE FUND	DEPARTMENT: HUMAN RESOURCES
PROGRAM: 0016 SELF INSURANCE EMPLOYEE MEDICAL/DENTAL	PROGRAM MANAGER: TIM POPE

Wellness Activities and Related Costs:	FY 2004-05 Projected/Actual	FY 2005-06 Projected/Actual	FY 2006-07 Budgeted/Revised	FY 2007-08 Adopted
Number of employee medical screenings (pre-employment, DOT/drug testing)	200 / 188	175 / 180	181 / 180	180
Average cost per medical screening	\$100 / \$104	\$105 / \$112	\$115 / \$143	\$150
Average cost of wellness activities per employee	\$10 / \$10	\$13 / \$22	\$25 / \$22	\$22
% of Employees Who Attended Wellness Educational Seminars	New Measure	New Measure / 11%	New Measure / 14%	18%
# of Employees Taking Part in Health Screening (BP, Cholesterol, Body Fat)	New Measure	New Measure / 91	New Measure / 100	110
# of Employees Participating in Physical Fitness Program (President's Challenge)	New Measure	New Measure	New Measure / 62	75

Wellness activity projected Outcomes:

Prescription drugs continue to be the fastest rising portion of a health plan cost. The Health Care Financing Administration reports that expenditures for prescription drug costs are expected to increase a minimum of 10% each of the next two calendar years. Therefore, continued emphasis on wellness activities is the best solution to help curb the City's rising prescription drug costs. Nationally, health care premiums are expected to rise 16-20%. Wellness activities and education to teach employees how to be better health services consumers will be more important than ever.

Trends and premium cost projections:

According to the insurance industry, over the coming decade, spending on health care will continue to outpace the overall economy. Between now and the year 2016, it is expected to rise 6.4 percent annually. The City is working with the Broker to identify and address trends in health insurance increases. The cost increase of the ODS plans for FY 2007-08 for the City is projected to be 9.65%, adjusted from an expected 18% increase. This is based on the employees' utilization of the services in the last year. The City will continue to evaluate methods to achieve more cost sharing in both ODS plans. The Kaiser Health Plan medical/vision plan is also projected to increase by 11.8%.

The dental program continues to provide excellent dental health benefits for employees and their families. Since the program is totally self-insured, any cost increases as a result of changes in the work force can have an immediate and dramatic impact on the program costs. As an average annual cost per employee, the dental program costs fluctuate from year to year due to the number and types of services performed within the plan's provisions. Dental costs per employee increased by 4.92% in FY 2004-05, by 5.43% in FY 2005-06, and then are estimated to decrease by 9.06% in FY 2006-07. In FY 2006-07 there was a 0% increase and that is expected to remain the same for FY 2007-2008. The program is one that encourages and rewards yearly, preventative measures; and that appears to be paying off in terms of combating rising premiums.

The City of Beaverton faces the same rising medical insurance costs that concern employers nationwide. Costs are increasing due to an aging workforce and costly new technologies. In light of such significant cost increases, the City's Wellness

CITY OF BEAVERTON, OREGON
FISCAL YEAR 2007-08 BUDGET
CURRENT LEVEL OF SERVICES

FUND: 706 INSURANCE FUND	DEPARTMENT: HUMAN RESOURCES
PROGRAM: 0016 SELF INSURANCE EMPLOYEE MEDICAL/DENTAL	PROGRAM MANAGER: TIM POPE

Trends and premium cost projections (continued):

Committee has rejuvenated the Wellness Program to reach the greatest health improvement and cost-containment potential. Committee members are utilizing the latest research and technology to maintain a solid, well-rounded Wellness Program that will allow the City in the short and long-term to successfully manage health care costs and maintain a productive and healthy workforce. In FY 2006-07, the committee continued its implementation of a strong, proactive multi-year plan that incorporates focused education for employees and their dependents as well as behavior and lifestyle-change initiatives. Initiatives that will continue through FY 2007-08 include a thriving physical fitness program, nutrition-based participant programs, cholesterol/blood pressure testing, an interactive and dynamic annual wellness event, promotion of the Employee Assistance Program and tobacco cessation resources, and an education strategy that includes seminars as well as online and published resources. All initiatives within the Wellness Program are on a continuous improvement cycle driven by employee feedback and the needs of the organization. The committee will continue to shape the Wellness Program to be consistent with the values and needs of individuals and the organization relative to health maintenance and improvement and will utilize available tools to measure the success of the program.